

CITY OF ESSEXVILLE
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2008

CITY OF ESSEXVILLE
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL STATEMENTS
FISCAL YEAR ENDED June 30, 2008

CITY OFFICIALS - As of June 30, 2008

Mayor	Thomas Rehmus
Council Member	Ronald Graham
Council Member	Michael Barrow
Council Member	Dr. Richard Link
Council Member	William Hydorn
Council Member	Mary Chavalia
Council Member	John Connelly
Treasurer	Fran DeWyse
Clerk	Cynthia Fournier
Attorney	Gerald Pergande
Director of Public Safety	Tim Weiler
City Manager	Dale Majerczyk
Superintendent of Public Works	Dan Hansford

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Quast, Janke and Company, P.C.

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Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITOR'S REPORT

November 28, 2008

To the City Council
The City of Essexville
Essexville, Michigan 48732

We have audited the financial statements of the governmental activities, business-type activities, and major funds as of and for the year ended June 30, 2008 which collectively comprise the City of Essexville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

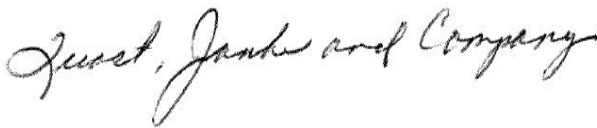
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, and each major fund as of June 30, 2008, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
The City of Essexville
November 28, 2008
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Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The individual fund statements and schedules described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUAST, JANKE AND COMPANY

A handwritten signature in cursive script that reads "Quast, Janke and Company". The signature is written in dark ink and is positioned above a horizontal line.

Certified Public Accountants, P.C.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

This section of the City of Essexville's annual Financial Report presents the Management Discussion and Analysis (MDA) of the City's financial activities during the fiscal year ended June 30, 2008. It is intended to be read as part of the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Essexville exceeded liabilities at June 30, 2008, by \$1,913,815. Of this amount all is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$142,338 during the year. Of this amount the assets of our governmental activities increased \$170,698 and the assets of our business-type activities decreased by \$31,491.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

Other Supporting Information provides detailed information about the General Fund and Non-Major Governmental Funds.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities - the Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net assets, which are the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

1. Governmental Activities - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
2. Business-Type Activities - This activity includes the water and sanitary sewer systems and the rubbish and trash fund. These activities are financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individually significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has two kinds of funds:

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street; Local Street and Downtown Development Authority. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary fund and the business-type activities included in the government-wide statement is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise fund includes the Water and Sewer Funds, considered to be major funds of the City, and the Rubbish and Trash Fund. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2008.

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$ 1,411,095	\$ 504,108	\$ 1,915,203
Capital assets net of accumulated depreciation	<u>2,917,185</u>	<u>2,305,165</u>	<u>5,772,350</u>
Total Assets	<u>4,328,280</u>	<u>2,809,273</u>	<u>7,173,553</u>
LIABILITIES			
Current liabilities	402,304	177,456	579,760
Long-term liabilities	<u>3,638,978</u>	<u>1,006,000</u>	<u>4,643,978</u>
Total Liabilities	<u>4,041,282</u>	<u>1,182,456</u>	<u>5,223,738</u>
NET ASSETS			
Invested in capital assets net of related debt	(1,015,876)	1,200,165	184,289
Unrestricted	<u>1,302,814</u>	<u>426,652</u>	<u>1,729,526</u>
Total Net Assets	<u>\$ 286,948</u>	<u>\$ 1,626,817</u>	<u>\$ 1,913,815</u>

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$1,729,526.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The following analysis provides the changes in the net assets for the City's governmental and business-type activities:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
REVENUES:			
Charges for services	\$ 57,379	\$1,279,209	\$1,336,588
GENERAL REVENUES:			
Property taxes	1,375,003	64,666	1,439,669
State shared revenue	626,209	-	626,209
Unrestricted investment earnings	92,651	20,544	113,195
Miscellaneous	<u>115,471</u>	<u>7,756</u>	<u>123,227</u>
Total Revenues	<u>2,266,713</u>	<u>1,372,175</u>	<u>3,638,888</u>
PROGRAM EXPENSES:			
Legislative	14,504	-	14,504
General government	365,671	-	365,671
Public safety	771,738	-	771,738
Public works	510,372	-	510,372
Recreational/cultural	75,879	-	75,879
Other	40,679	-	40,679
Interest	191,906	25,988	217,894
Water & Sewer	-	1,377,678	1,377,678
Depreciation	<u>125,266</u>	<u>-</u>	<u>125,266</u>
Total Expenses	<u>2,096,015</u>	<u>1,403,666</u>	<u>3,499,681</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 170,698</u>	<u>\$ (31,491)</u>	<u>\$ 139,207</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Essexville completed its year, its governmental funds reported a total fund balance of \$1,346,575, which is less than the \$1,292,883 total fund balance at June 30, 2007.

The General Fund, the operating fund for the City, ended FY06 with an \$985,797 balance compared to the prior year ending fund balance of \$966,126. The Major Street Fund was determined not to be a major fund. The Debt Service Fund Balance decreased by \$3,814.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water and Sewer Fund, which accounts for the operation and maintenance of the City's water and sewer system, ended Fiscal Year 2008 with a \$1,626,817 net asset balance compared to prior year ending net asset balance of \$1,606,399.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2008, the City amended the budget six (6) times. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to cover unplanned expenditures associated with projects that carried over from the prior fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$2,917,185 (net of accumulated depreciation) at June 30, 2008. Capital assets for business-type activities totaled \$2,305,165 (net of accumulated depreciation) at June 30, 2008. See the notes to the financial statements for more information about the City's capital assets.

LONG-TERM DEBT

At year end the City had \$5,038,061 in outstanding bonds and loans. All debt in the business-type and governmental activities is detailed below:

Sewer Fund - State Revolving Fund ("SRF") loan administered by the Michigan Department of Environmental Quality to construct mandated improvements at the City's wastewater treatment plant.

<u>SRF Loan 1997</u>	\$ 1,990,000
Balance June 30, 2007	1,205,000
Balance June 30, 2008	1,105,000

Infrastructure Bonds - In 1999 local voters authorized the City Council to sell up to \$5,000,000 of general obligation bonds restricted for improvements to the City's water, sewer and storm water infrastructure. These bonds were sold in three series: \$2,000,000 (January 11, 2000), \$1,500,000 (February 27, 2001) and \$1,500,000 (February 28, 2002).

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

<u>Infrastructure Bond – 2000 Series</u>	\$ 2,000,000
Balance June 30, 2007	1,225,000
Balance June 30, 2008	1,125,000
 <u>Infrastructure Bond - 2001 Series</u>	 1,500,000
Balance June 30, 2007	1,300,000
Balance June 30, 2008	1,225,000
 <u>Infrastructure Bond - 2002 Series</u>	 1,500,000
Balance June 30, 2007	1,350,000
Balance June 30, 2008	1,275,000
 <u>Combined Series - 2000, 2001, 2002</u>	 5,000,000
Balance June 30, 2007	3,875,000
Balance June 30, 2008	3,625,000

Brownfield Revitalization Loan - In the year 2000 the City received \$112,465 from the State of Michigan Department of Environmental Quality to develop land that was a landfill. The city is obligated to repay the loan, which began July 1, 2005. The loan does not bear interest. The amount due as of June 30, 2008 is \$78,286.

Other Loans – The City financed improvements to the new DPW building by obtaining financing from Independent Bank in the amount of \$ 262,468. The current balance of this loan is \$ 229,775. The Downtown Development Authority (DDA) has assumed responsibility for this debt service.

ECONOMIC FACTORS

Elected and appointed officials must consider many factors in the preparation and the adoption of the City's annual budget. One important factor affecting the City's budget is the State of Michigan's fiscal health, because a significant source of revenue for the City's General Fund is state shared revenue, a portion of which is subject to state legislative approval. Because of the State's recent and continuing budget problems the City has seen a reduction in state shared revenue.

Though the State Legislature held Cities harmless with respect to loss of state shared revenues in the fiscal year, continuing pressure on the State's budget will certainly result in additional reductions in this significant revenue source to the General Fund. The consequences of this revenue reduction is and will be in the future a reduction in services funded by the General Fund with public safety services at risk in the near future without additional state or local revenue to the General Fund.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

By way of comparison, the City received state shared revenues in the amount of \$640,682 in the fiscal year ended June 30, 2007, and \$626,209 in the fiscal year ended June 30, 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present citizens, taxpayers, customers, investors, creditors and other interested parties with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact the City of Essexville, 1104 Woodside Avenue, Essexville, MI 48732-1627.

CITY OF ESSEXVILLE
Essexville, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		
	Governmental Activities	Business -Type Units	Total
ASSETS:			
Cash	\$ 1,359,164	\$ 389,522	\$ 1,748,686
Accounts receivables	2,146	114,586	116,732
Receivable from State	38,395	-	38,395
Prepaid expense	11,390	-	11,390
Capital assets:			
Land and improvements	824,710	-	824,710
Buildings and improvements	985,735	-	985,735
Infrastructure	744,168	-	744,168
Equipment	263,847	-	263,847
Vehicles	1,185,567	-	1,185,567
Water and sewer	-	2,960,034	2,960,034
Accumulated depreciation	(1,086,842)	(654,869)	(1,741,711)
Total Assets	<u>4,328,280</u>	<u>2,809,273</u>	<u>7,137,553</u>
LIABILITIES:			
Accounts payable	19,346	65,838	85,184
Accrued expenses	16,542	5,648	22,190
Customer deposits	-	2,700	2,700
Compensated absences	72,333	3,270	75,603
Notes and bonds payable			
Amount due within one year	294,083	100,000	394,083
Amount due more than one year	3,638,978	1,005,000	4,643,978
Total Liabilities	<u>4,041,282</u>	<u>1,182,456</u>	<u>5,223,738</u>
NET ASSETS:			
Investment in capital assets net of related debt	(1,015,876)	1,200,165	184,289
Unrestricted - designated	475,000	400,612	875,612
- undesignated	827,874	26,040	853,914
Total Net Assets	\$ <u>286,998</u>	\$ <u>1,626,817</u>	\$ <u>1,913,815</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Legislative	\$ 14,504	\$ -	\$ (14,504)	\$ -	\$ (14,504)
General Government	365,671	483	(365,188)	-	(365,188)
Public Safety	771,738	13,520	(758,218)	-	(758,218)
Public Works	510,372	43,376	(466,996)	-	(466,996)
Recreation and Cultural	75,879	-	(75,879)	-	(75,879)
Other	40,679	-	(40,679)	-	-
Interest	191,906	-	(191,906)	-	(191,906)
Depreciation	125,266	-	(125,266)	-	(125,266)
Total governmental activities	2,096,015	57,379	(2,038,636)	-	(2,038,636)
BUSINESS-TYPE ACTIVITIES					
Water, Sewer, Trash	1,349,178	1,279,209	-	(69,969)	(69,969)
Interest	25,988	-	-	(25,988)	(25,988)
Total business-type activities	1,375,166	1,279,209	-	(95,957)	(95,957)
Total Primary Government	\$ 3,471,181	\$ 1,336,588	(2,038,636)	(95,957)	(2,134,593)
GENERAL PURPOSE REVENUES:					
Property taxes			1,375,003	64,666	1,439,669
State shared revenues			626,209	-	626,209
Unrestricted Investment earnings			92,651	20,544	113,195
Transfers			28,500	(28,500)	-
Miscellaneous			86,971	7,756	94,727
Total General Purpose Revenues			2,209,334	64,466	2,273,800
Change in Net Assets			170,698	(31,491)	139,207
Net Assets at beginning of year, as adjusted			116,300	1,658,308	1,774,608
Net Assets - End of Year			\$ 286,998	\$ 1,626,817	\$ 1,913,815

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2008

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR FUNDS</u>	<u>TOTAL</u>
ASSETS:				
Cash	\$ 997,750	\$ 19,258	\$ 307,362	\$ 1,324,370
Customer receivables	-	-	-	-
Other receivables	1,282	-	450	1,732
Prepaid expenses	11,390	-	-	11,390
Due from other Gov't	-	-	-	-
Due from State	-	-	38,395	38,395
	<u>-</u>	<u>-</u>	<u>38,395</u>	<u>38,395</u>
TOTAL ASSETS	\$ <u>1,010,422</u>	\$ <u>19,258</u>	<u>346,207</u>	\$ <u>1,375,887</u>
LIABILITIES:				
Accounts payable	\$ 10,314	\$ -	2,912	\$ 13,226
Deferred revenue	-	-	-	-
Accrued expenses	14,311	-	1,775	16,086
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	24,625	-	4,687	29,312
FUND BALANCES:				
Unreserved, reported in:				
General Fund	985,797	-	-	985,797
Special Revenue Funds	-	-	338,243	338,243
Capital Projects Fund	-	-	3,277	3,277
Debt Service Fund	-	19,258	-	19,258
	<u>-</u>	<u>19,258</u>	<u>-</u>	<u>19,258</u>
Total Fund Balances	985,797	19,258	341,520	1,346,575
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,010,422</u>	\$ <u>19,258</u>	\$ <u>346,207</u>	\$ <u>1,375,887</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,346,575

Amounts reported for governmental activities in the statement
of net assets are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds
balance sheet:

Capital assets at cost	2,255,355
Accumulated depreciation	(209,726)
Debt balances are carried in the	
Long-Term Debt Account Group	
and are not reported in the	
Governmental Funds balance sheet	(3,703,286)
Compensated absences	(72,333)

An Internal Service fund is used by the City to charge equipment rental
costs to individual funds. The assets and liabilities of the Internal Service
Fund is included in governmental activities of the statement of net assets

Cash	34,794	
Other receivables	414	
Capital assets	1,748,672	
Accumulated depreciation	(877,116)	
Long term debt	(229,775)	
Accounts Payable and accrued expenses	(6,576)	
Net adjustment		<u>670,413</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 286,998

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2008

	GENERAL	DEBT SERVICE	OTHER NONMAJOR FUNDS	TOTAL
REVENUES:				
Taxes	\$ 856,562	\$ 425,809	\$ 92,632	\$ 1,375,003
State shared revenue	388,490	-	237,719	626,209
Licenses and permits	38,545	-	-	38,545
Charges for Services	483	-	-	483
Permits	-	-	13,520	13,520
Fines and Forfeits	4,831	-	-	4,831
Interest	79,334	2,233	11,084	92,651
Other Revenue	14,385	-	8,045	22,430
	<u>1,382,630</u>	<u>428,042</u>	<u>363,000</u>	<u>2,173,672</u>
EXPENDITURES:				
Legislative	14,504	-	-	14,504
General Government	236,992	-	-	236,992
Public Safety	537,278	-	-	537,278
Public Works	19,554	-	281,480	301,034
Cultural and Recreation	75,879	-	-	75,879
Other activities	19,911	-	25,708	45,619
Insurance/retirement	415,502	-	30,107	445,609
Capital Outlay	20,200	-	-	20,200
Debt service	-	431,856	-	431,856
Total Expenditures	<u>1,339,820</u>	<u>431,856</u>	<u>337,295</u>	<u>2,108,971</u>
EXCESS OF REVENUES OVER EXPENDITURES	42,810	(3,814)	25,705	64,701
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	-	-	-	-
Transfer to other funds	(23,139)	-	12,130	(11,009)
Total Other Financing Sources (Uses)	<u>(23,139)</u>	<u>-</u>	<u>12,130</u>	<u>(11,009)</u>
NET CHANGE IN FUND BALANCES	19,671	(3,814)	37,835	53,692
FUND BALANCE - JULY 1, 2007	<u>966,126</u>	<u>23,072</u>	<u>303,685</u>	<u>1,292,883</u>
FUND BALANCE - JUNE 30, 2008	\$ <u>985,797</u>	\$ <u>19,258</u>	\$ <u>341,520</u>	\$ <u>1,346,575</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 53,692
Amounts reported for governmental activities in the statement of activities are different because -	
Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated lives as depreciation:	
Depreciation expense	(125,266)
Capital asset purchases capitalized	-
Principal payments on bonds shown as current expense	358,230
Governmental funds do not report the expenses for compensated absences	(7,806)
An Internal Service fund is used by the City to charge equipment rental costs to individual funds. The net revenue of the Internal Service fund is reported with governmental activities in the statement of activities.	
Change in Net Assets	<u>(108,152)</u>
	<u>(108,152)</u>
TOTAL CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u>170,698</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Rubbish & Trash	TOTAL	
<u>ASSETS:</u>					
Current Assets:					
Cash	\$ 277,937	\$ 89,940	\$ 21,645	\$ 389,522	\$ 34,794
Customer receivables	48,319	41,124	24,040	113,483	-
Other receivables	-	-	-	-	414
Prepays	1,103	-	-	1,103	-
Total Current Assets	327,359	131,064	45,685	504,108	35,208
Noncurrent Assets:					
Capital Assets:					
Equipment, vehicles	-	-	-	-	1,748,672
Water and sewer systems	2,414,978	545,056	-	2,960,034	-
Accumulated depreciation	(572,207)	(82,662)	-	(654,869)	(877,116)
Total Noncurrent Assets	1,842,771	462,394	-	2,305,165	871,556
Total Assets	\$ 2,170,130	\$ 593,458	\$ 45,685	\$ 2,809,273	\$ 906,764
<u>LIABILITIES:</u>					
Current Liabilities					
Accounts payable	\$ 7,219	\$ 39,332	\$ 19,287	\$ 65,838	\$ 6,120
Customer deposits	1,431	1,269	-	2,700	-
Accrued expenses	6,903	1,657	358	8,918	456
Loan payable current	100,000	-	-	100,000	-
Total Current Liabilities	115,553	42,258	19,645	177,456	6,576
Noncurrent Liabilities					
Loans payable	1,005,000	-	-	1,005,000	229,775
Total Noncurrent Liabilities	1,005,000	-	-	1,005,000	229,775
Total Liabilities	1,120,553	42,258	19,645	1,182,456	236,351
<u>NET ASSETS:</u>					
Invested in capital assets net of related debt	737,771	462,394	-	1,200,165	-
Designated for operations	311,806	88,806	-	400,612	-
Unrestricted	-	-	26,040	26,040	670,413
Total Net Assets	\$ 1,049,577	\$ 551,200	\$ 26,040	\$ 1,626,817	\$ 670,413
Reconciliation of Government Wide Statement of Net Assets:					
Net assets of business-type activities				\$ 1,626,817	

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Rubbish & Trash	TOTAL	
OPERATING REVENUES:					
Charges for Services	\$ 563,715	\$ 478,756	\$ 236,738	\$ 1,279,209	\$ -
Equipment rent	-	-	-	-	165,967
Taxes	-	-	64,666	64,666	-
Miscellaneous	6,028	1,728	-	7,756	61,660
Total Operating Revenues	569,743	480,484	301,404	1,351,631	227,627
OPERATING EXPENSES:					
Salaries	149,074	89,530	22,894	261,498	39,218
FICA	11,042	6,654	1,681	19,377	2,882
Operating expenses	150,475	35,250	2,703	188,428	190,576
Equipment rental	23,763	17,719	9,469	50,951	-
Water purchases	-	248,914	-	248,914	-
Contractual services	66,743	14,036	235,010	315,789	-
Depreciation	73,407	19,809	-	93,216	96,840
Insurance/retirement	86,860	52,142	28,824	167,826	42,219
Total Operating Expenses	561,364	484,054	300,581	1,345,999	371,735
Operating Income	8,379	(3,570)	823	5,632	(144,108)
NONOPERATING REVENUES(EXPENSES)					
Interest Income	14,210	4,060	2,274	20,544	5,177
Sale of Equipment	-	-	-	-	2,881
Interest Expense	(25,988)	-	-	(25,988)	(11,874)
Total Nonoperating Expenses	(11,778)	4,060	2,274	(5,444)	(3,816)
Income before contributions and transfers	(3,399)	490	3,097	188	(147,924)
Transfers In	-	-	-	-	40,374
Transfers Out	(1,262)	(1,451)	(28,966)	(31,679)	(602)
Change in Net Assets	(4,661)	(961)	(25,869)	(31,491)	(108,152)
Net Assets Beginning of Year	1,054,238	552,161	51,909	1,658,308	778,565
Net Assets End of Year	\$ 1,049,577	\$ 551,200	\$ 26,040	\$ 1,626,817	\$ 670,413

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
June 30, 2008

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Rubbish & Trash	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 587,302	\$ 474,364	\$ 235,893	\$ 1,297,559	\$ -
Cash received from other funds for services	-	-	-	-	165,967
Other operating cash receipts	4,925	1,728	64,666	6,653	49,520
Cash payments to suppliers for goods and services	(372,306)	(368,898)	(273,845)	(1,015,049)	(235,677)
Cash payments to employees for services	(148,969)	(90,218)	(22,667)	(261,854)	(39,218)
Cash payments to other funds for services	-	-	-	-	-
Net cash provided (used) by operating activities	70,952	16,976	4,047	91,975	(59,408)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	40,374
Transfers to other funds	(1,262)	(1,451)	(28,966)	(31,679)	(602)
Net cash provided (used) by noncapital financing activities	(1,262)	(1,451)	(28,966)	(31,679)	39,772
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(15,957)	(13,949)	-	(29,906)	-
Amounts borrowed for capital improvements	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	2,881
Interest paid on loans	(25,988)	-	-	(25,988)	(11,874)
Principal payments on loans	(100,000)	-	-	(100,000)	(344,667)
Contributed capital	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(141,945)	(13,949)	-	(155,894)	(353,660)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	14,210	4,060	2,274	20,544	5,177
Net increase (decrease) in cash	(58,045)	5,636	(22,645)	(75,054)	(368,119)
Cash beginning of year	335,982	84,304	44,290	464,576	402,913
Cash end of year	\$ 277,937	\$ 89,940	\$ 21,645	\$ 389,522	\$ 34,794
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Income (loss) from operations	\$ 8,379	\$ (3,570)	\$ 823	\$ 5,632	\$ (144,108)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation	73,407	19,809	-	93,216	96,840
Change in assets and liabilities:					
(Increase) decrease in due from other funds	-	-	-	-	-
(Increase) decrease in accounts receivable	(3,660)	(4,392)	(845)	(8,897)	(414)
(Increase) decrease in prepaids	156	323	-	479	-
Increase (decrease) in accounts payable	(4,244)	5,519	3,842	5,117	(11,999)
Increase (decrease) in accrued expenses	(3,086)	(713)	227	(3,572)	273
Net Cash Provided (Used) in Operating Activities	\$ 70,952	\$ 16,976	\$ 4,047	\$ 91,975	\$ (59,408)

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Essexville, Michigan

STATEMENT OF NET ASSETS
TRUST AND AGENCY FUND
June 30, 2008

Cash in Bank	\$ <u>73,395</u>
Due to General Fund	-
Fund Balance - Reserved for fringe benefits	<u>73,395</u>
	\$ <u>73,395</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The City of Essexville is located in Bay County and operates under an elected City Council (6 members) and an elected Mayor, and provides services to its residents in many areas. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B: REPORTING ENTITY:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

1. The organization is legally separate (can sue and be sued in their own name).
2. The City holds the corporate powers of the organization.
3. The City appoints a voting majority of the organization's board.
4. The City is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit//burden on the City.
6. There is fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City of Essexville has no component units.

C: BASIS OF PRESENTATION:

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of the inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

D: FUND FINANCIAL STATEMENTS:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund -

This fund is used to accumulate tax revenues for purposes of making the several interest and principal payments on the bonds.

Propriety Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

liabilities are included on the Statement of Net Assets. The City has presented the following major propriety funds:

Water, Sewer and Trash Funds -

The Water, Sewer and Trash Funds are used to account for the provision of water and sewer services and the collection of rubbish, trash and yard waste for the residents of the City. Activities of the funds include administration, operation and maintenance of the water system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expenses for the propriety funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency Funds -

The Fringe Benefit Fund accounts for assets held by the City for funding of future liabilities. The amounts do not involve the measurement of results of operations.

E: Measurement Focus/Basis of Accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide statements and fund financial statements for propriety funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and state shared governmental revenues. All other governmental fund revenues are recognized when received.

F: CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions – 25-40 years.
Infrastructure – 20-40 years.
Land Improvements – 10-20 years.
Vehicles – 5-10 years.
Furniture and other equipment – 5-10 years.

G: FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H: COMPARATIVE DATA/RECLASSIFICATIONS:

Comparative data is not included in the City's financial statements.

I: ACCOUNTING CHANGE:

Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows: A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included. Entity-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.

J: PROPERTY TAXES:

The City's property taxes are levied and become a lien each July 1st, based on the taxable valuation of property located in the City as of the preceding December 31st. These taxes are due on August 31st or with the final collection date of March 2nd before they are added to the County's delinquent tax rolls. The City's property tax revenues are recognized as revenues in the fiscal year levied to the extent they are measurable and available.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The taxable valuation of City properties totaled \$85,561,970. Ad Valorem taxes levied on this valuation consisted of 9.7266 mills for City operations; .7800 mills for trash collection; 1.00 mills for the Downtown Development Authority; and 5.1370 mills for the general operating bond issues.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the City to have its budget in place by April 1st. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not have significant expenditure budget variances.

Fund Deficits - The City had no accumulated fund balance deficits.

NOTE 3. LONG TERM DEBT:

During the year the proceeds from the Independent Bank loan of \$ 262,468 were used to pay off the ACT 99 loan. Also, the interest portion of the loan was eliminated from the ending balance.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Other long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Annual Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
GOVERNMENTAL ACTIVITIES						
2000 G.O. Bond	5.25	75,000-150,000	\$ 1,225,000	\$ (100,000)	\$ 1,125,000	\$ 100,000
2001 G.O. Bond	4.00	50,000-225,000	1,300,000	(75,000)	1,225,000	75,000
2002 G.O. Bond	4.25	25,000-200,000	<u>1,350,000</u>	<u>(75,000)</u>	<u>1,275,000</u>	<u>75,000</u>
Total Bonds			3,875,000	(250,000)	3,625,000	250,000
Revitalization Loan	0.00	11,399	<u>89,676</u>	<u>(11,390)</u>	<u>78,286</u>	<u>11,390</u>
Independent Bank Loan	4.5	30,000-40,000	311,974	(82,199)	229,775	32,693
ACT 99 Loan			<u>262,468</u>	<u>(262,468)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities			<u>\$ 4,539,118</u>	<u>\$ (606,057)</u>	<u>\$ 3,933,061</u>	<u>\$ 294,083</u>
BUSINESS TYPE ACTIVITIES						
Loan payable	2.25	90,000-120,000	<u>\$ 1,205,000</u>	<u>\$ (100,000)</u>	<u>\$ 1,105,000</u>	<u>\$ 100,000</u>

Annual debt service principal requirements:

	<u>G.O. Bonds</u>	<u>Loan Payable</u>
2008	250,000	44,083
2009	275,000	44,083
2010	300,000	44,083
2011	350,000	44,083
2012	375,000	44,083
2013	450,000	44,083
2014	500,000	43,563
2015	550,000	-
2016	575,000	-
2017	-	-

Total Debt – Governmental Funds :

Bonds	\$ 3,625,000
Revitalization loan	78,286
Independent Bank	229,775
Act 99	<u>0</u>
Total	\$ 3,933,061

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance <u>July 1</u>	Additions/ Retirements/ <u>Completions</u>	<u>Adjustments</u>	Balance <u>June 30</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 824,710	-	\$ -	\$ 824,710
Capital assets being depreciated				
Buildings and improvements	985,735	-	-	985,735
Construction in progress	-	-	-	-
Infrastructure	744,168	-	-	744,168
Vehicles	1,185,567	-	-	1,185,567
Furniture and equipment	<u>263,847</u>	<u>-</u>	<u>-</u>	<u>263,847</u>
Subtotal	4,004,027	-	-	4,004,027
Less accumulated depreciation	<u>961,576</u>	<u>125,266</u>	<u>-</u>	<u>1,086,842</u>
Net capital assets	<u>\$ 3,042,451</u>	<u>\$ 125,266</u>	<u>\$ -</u>	<u>\$ 2,917,185</u>
Business -type activities:				
Capital assets being depreciated				
Buildings and improvements	1,880,619	-	-	1,880,619
Water and sewer distribution systems	917,141	13,949	-	931,090
Furniture and equipment	<u>132,368</u>	<u>15,957</u>	<u>-</u>	<u>148,325</u>
Subtotal	2,930,128	29,906	-	2,960,034
Less accumulated depreciation	<u>561,653</u>	<u>93,216</u>	<u>-</u>	<u>654,869</u>
Total net capital assets	<u>\$ 2,368,475</u>	<u>\$(63,310)</u>	<u>\$ -</u>	<u>\$ 2,305,165</u>

NOTE 5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A: LEGAL COMPLIANCE:

Act 217, PA 1982, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loans associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All City deposits were in compliance with state statutes.

B: DEPOSITS:

Deposits are carried at cost. Deposits of the City are maintained at Independent Bank, Wolverine Bank and Standard Federal Bank, federally insured banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the City's cash deposit at June 30, 2008 are as follows:

<u>Deposit</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 300,000
Uninsured and Uncollateralized	<u>1,502,081</u>
Total	<u>\$ 1,822,081</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN:

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan, 48917.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the collective bargaining units and requires no contribution from the employees.

NOTE 6. DEFINED BENEFIT PENSION PLAN (continued):

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using an entry age normal funding method. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase annually 2.5 percent per year, after retirement. At December 31, 2007, the unfunded actuarial accrued liability was \$ 867,206 determined as follows:

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 3,257,997
Terminated employees not yet receiving benefits	39,572
Current employees –	
Accumulated employee contributions including allocated investment income	630,791
Employer financed	<u>1,934,074</u>
Total Actuarial Accrued Liability	5,862,434
Net Assets Available for Benefits at Actuarial Value	<u>4,995,228</u>
Unfunded Actuarial Accrued Liability	<u>\$ 867,206</u>

For the fiscal year beginning July 1st, 2009 the annual required contribution based on valuation payroll will be \$ 111,192 based on an amortization factor of .055889.

CITY OF ESSEXVILLE
Bay County, Michigan

June 30, 2007
NOTES TO FINANCIAL STATEMENTS

NOTE 7. RISK MANAGEMENT :

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal League's public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to the Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage of its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any or the past three fiscal years.

The City manages its workers' compensation by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks thorough commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 854,033	\$ 837,370	\$ 856,562	\$ 19,192
State revenue sharing	389,741	386,188	388,490	2,302
Licenses and permits	34,119	30,625	38,545	7,920
Charges for services	361	50	483	433
Interest	63,000	41,494	79,334	37,840
Fines and forfeits	3,515	2,400	4,831	2,431
Other Revenue	16,080	17,090	14,385	(2,705)
Total Revenues	1,360,849	1,315,217	1,382,630	67,413
EXPENDITURES:				
Legislative	16,799	15,959	14,504	1,455
General Government				
City Manager	77,882	78,973	77,062	1,911
Elections	4,745	5,700	4,442	1,258
Mayor	4,499	2,499	1,563	936
Assessor	21,566	23,256	21,145	2,111
Attorney	15,250	15,500	13,757	1,743
Board of Review	1,047	1,107	1,045	62
Treasurer	25,331	27,560	23,932	3,628
Clerk	46,291	47,369	44,161	3,208
City Hall	46,051	47,603	46,085	1,518
Accounting and audit	3,800	3,800	3,800	-
Public Safety				
Fire	32,526	31,745	29,547	2,198
Police	508,907	521,299	507,731	13,568
Public Works				
Sidewalk repair	9,825	13,066	9,134	3,932
Department of Public works	16,126	15,350	10,420	4,930
Cultural and Recreation				
Parks and recreation	21,511	24,029	21,550	2,479
Community relations	6,900	56,500	54,329	2,171
Other activities	80,262	25,070	19,911	5,159
Insurance/retirement	422,020	432,331	415,502	16,829
Capital outlay	5,000	17,899	20,200	(2,301)
Total Expenditures	1,366,338	1,406,615	1,339,820	66,795
OTHER FINANCING SOURCES (USES):				
Transfer to other funds	(26,600)	(26,957)	(23,139)	3,818
NET CHANGE IN FUND BALANCE	(32,089)	(118,355)	19,671	138,026
FUND BALANCE - BEGINNING OF YEAR	966,126	966,126	966,126	-
FUND BALANCE - END OF YEAR	\$ 934,037	\$ 847,771	\$ 985,797	\$ 138,026

CITY OF ESSEXVILLE
Essexville, Michigan

BOND DEBT SERVICE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 425,127	\$ 424,907	\$ 425,809	\$ 902
Interest	<u>2,225</u>	<u>1,079</u>	<u>2,233</u>	<u>1,154</u>
Total Revenues	427,352	425,986	428,042	2,056
EXPENDITURES:				
Principal	250,000	250,000	250,000	-
Interest	180,445	181,557	180,856	(701)
Contractual	<u>1,500</u>	<u>3,000</u>	<u>1,000</u>	<u>(2,000)</u>
Total Expenditures	<u>431,945</u>	<u>434,557</u>	<u>431,856</u>	<u>(2,701)</u>
EXCESS REVENUES OVER EXPENDITURES	(4,593)	(8,571)	(3,814)	4,757
FUND BALANCE - BEGINNING OF YEAR	<u>23,072</u>	<u>23,072</u>	<u>23,072</u>	-
FUND BALANCE - END OF YEAR	\$ <u><u>18,479</u></u>	\$ <u><u>14,501</u></u>	\$ <u><u>19,258</u></u>	\$ <u><u>4,757</u></u>

OTHER SUPPORTING INFORMATION

CITY OF ESSEXVILLE
Essexville, Michigan

COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
June 30, 2008

- SPECIAL REVENUE FUNDS -							CAPITAL PROJECTS FUND		
	Major Street Fund	Local Street Fund	D.D.A. Fund	Justice Training	Inspection	Total Special Revenue Funds	Street Repairs & Construction	TOTAL	
<u>ASSETS</u>									
Cash	\$ 55,389	\$ 81,686	\$ 156,440	\$ 9,791	\$ 779	\$ 304,085	\$ 3,277	\$ 307,362	
Due from State	28,164	10,231	-	-	-	38,395	-	38,395	
Prepaid Expenses	-	-	-	-	-	-	-	-	
Accounts Receivable	-	-	-	-	450	450	-	450	
Due from Dbt Fund	-	-	-	-	-	-	-	-	
Total Assets	\$ <u>83,553</u>	\$ <u>91,917</u>	\$ <u>156,440</u>	\$ <u>9,791</u>	\$ <u>1,229</u>	\$ <u>342,930</u>	\$ <u>3,277</u>	\$ <u>346,207</u>	
<u>LIABILITIES AND FUND BALANCE</u>									
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounts payable	1,779	409	724	-	-	2,912	-	2,912	
Accrued payroll	613	363	388	-	411	1,775	-	\$ 1,775	
	<u>2,392</u>	<u>772</u>	<u>1,112</u>	<u>-</u>	<u>411</u>	<u>4,687</u>	<u>-</u>	<u>4,687</u>	
Fund balance	<u>81,161</u>	<u>91,145</u>	<u>155,328</u>	<u>9,791</u>	<u>818</u>	<u>338,243</u>	<u>3,277</u>	<u>341,520</u>	
	\$ <u>83,553</u>	\$ <u>91,917</u>	\$ <u>156,440</u>	\$ <u>9,791</u>	\$ <u>1,229</u>	\$ <u>342,930</u>	\$ <u>3,277</u>	\$ <u>346,207</u>	

CITY OF ESSEXVILLE
Essexville, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	- SPECIAL REVENUE FUNDS -						CAPITAL PROJECTS FUND Street repairs & Construction	
	Major Street Fund	Local Street Fund	D.D.A. Fund	Justice Training	Inspection	Total Special Revenue Funds		TOTAL
REVENUES:								
State Shared Revenue	\$ 171,967	\$ 62,435	\$ -	\$ 3,317	\$ -	\$ 237,719	\$ -	\$ 237,719
Property Taxes	-	-	92,632	-	-	92,632	-	92,632
Permits	-	-	-	-	13,520	13,520	-	13,520
Interest	2,540	2,055	6,067	303	-	10,965	119	11,084
Other Revenues	-	-	8,045	-	-	8,045	-	8,045
	174,507	64,490	106,744	3,620	13,520	362,881	119	363,000
EXPENDITURES:								
Public Works	138,887	50,303	92,290	-	-	281,480	-	281,480
Insurance/Retirement	-	26,733	-	-	3,374	30,107	-	30,107
Other Activities	-	-	-	2,268	22,940	25,208	500	25,708
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	138,887	77,036	92,290	2,268	26,314	336,795	500	337,295
EXCESS OF REVENUES OVER EXPENDITURES	35,620	(12,546)	14,454	1,352	(12,794)	26,086	(381)	25,705
OTHER FINANCING SOURCES:								
Transfers from (to) other funds	(33,132)	31,762	-	-	13,500	12,130	-	12,130
NET CHANGES IN FUND BALANCE	2,488	19,216	14,454	1,352	706	38,216	(381)	37,835
FUND BALANCE - JULY 1, 2007	78,673	71,929	140,874	8,439	112	300,027	3,658	303,685
FUND BALANCE - JUNE 30, 2008	\$ 81,161	\$ 91,145	\$ 155,328	\$ 9,791	\$ 818	\$ 338,243	\$ 3,277	\$ 341,520

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2008

REVENUES:

Advalorem taxes -	
Current taxes	\$ 803,757
Interest, penalties and fees	<u>52,805</u>
Total Advalorem Taxes	856,562
 Licenses and Permits -	
Cable television	37,847
Cat/dog/liquor licenses	90
Miscellaneous	<u>608</u>
Total Licenses and Permits	38,545
 State Revenues -	
Metro Act	11,078
Sales taxes	<u>377,412</u>
Total State Revenues	388,490
 Charges for Services -	
Service fees	<u>483</u>
Total Charges for Services	483
 Fines and Forfeits -	
Ordinance fines	3,341
Parking fines	<u>1,490</u>
Total Fines and Forfeits	4,831
 Miscellaneous -	
Investment	79,334
Lease	13,949
Miscellaneous	<u>436</u>
Total Miscellaneous	93,719
 Total Revenues	\$ <u><u>1,382,630</u></u>

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
For the Year Ended June 30, 2008

	<u>ACTUAL</u>
EXPENDITURES:	
Legislative -	
City Council	
Salaries	\$ 6,000
FICA	459
Other expenses	<u>8,045</u>
Total City Council	14,504
General Government -	
Mayor	
Salaries	1,300
FICA	99
Other expenses	<u>164</u>
Total Mayor	1,563
City Manager	
Salaries	64,341
FICA	4,687
Other expenses	<u>8,034</u>
Total City Manager	77,062
Elections	
Salaries	1,856
Other expenses	<u>2,586</u>
Total Elections	4,442
Assessor	
Salaries	14,865
FICA	1,137
Other expenses	<u>5,143</u>
Total Assessor	21,145
City Attorney	
Supplies and Fees	13,757
City Clerk	
Salaries	29,289
FICA	2,202
Other expenses	<u>12,670</u>
Total City Clerk	44,161

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
For the Year Ended June 30, 2008

	<u>ACTUAL</u>
EXPENDITURES:	
General Government (cont.)	
Accounting and Audit	
Audit	\$ 3,800
Total Accounting and Audit	<u>3,800</u>
Board of Review	
Salaries	750
FICA	57
Other expenses	<u>238</u>
Total Board of Review	<u>1,045</u>
Treasurer	
Salaries	17,107
FICA	1,249
Other expenses	<u>5,576</u>
Total Treasurer	<u>23,932</u>
City Hall	
Salaries	10,189
FICA	742
Other expenses	<u>35,154</u>
Total City Hall	<u>46,085</u>
Total General Government	\$ <u>236,992</u>

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
For the Year Ended June 30, 2008

	<u>ACTUAL</u>
EXPENDITURES:	
Public Safety -	
Fire Department	
Salaries	\$ 13,152
FICA	1,335
Other expenses	13,203
Equipment	<u>1,857</u>
Total Fire Department	29,547
Police Department	
Salaries	402,152
FICA	30,251
D.A.R.E. expenses	-
Other expenses	<u>75,328</u>
Total Police Department	<u>507,731</u>
 Total Public Safety	 537,278

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
For the Year Ended June 30, 2008

	<u>ACTUAL</u>
EXPENDITURES:	
Public Works -	
Department of Public Works	
Salaries	\$ -
FICA	-
Other expenses	<u>10,420</u>
Total Department of Public Works	10,420
 Sidewalk Repair and Construction	
Salaries	3,772
FICA	283
Other expenses	<u>5,079</u>
Total Sidewalk Repair and Construction	9,134
 Public Rights of Way	
Salaries	-
FICA	-
Other expenses	<u>-</u>
Total Public Rights of Way	-
 Total Public Works	 19,554

CITY OF ESSEXVILLE
Essexville, Michigan

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (continued)
For the Year Ended June 30, 2008

	<u>ACTUAL</u>
EXPENDITURES:	
Culture and recreation -	
Parks and Recreation	
Salaries	\$ 3,714
FICA	272
Other expenses	17,564
Total Parks and Recreation	<u>21,550</u>
Community Relations	
Civic Betterment	5,238
Community Schools	2,500
Street Lights	46,591
Total Community Relations	<u>54,329</u>
Total culture and recreation	<u>75,879</u>
Other activities -	
Forestry	
Salaries	3,980
FICA	262
Other expenses	13,574
Total Forestry	<u>17,816</u>
Planning and Board of Appeals	
Salaries	56
FICA	4
Other expenses	2,035
Total Planning and Board of Appeals	<u>2,095</u>
Total Other Activities	<u>19,911</u>
Insurance/retirement	415,502
Capital projects	20,200
OTHER FINANCING SOURCES AND (USES):	
Transfer to other funds	<u>(23,139)</u>
TOTAL EXPENDITURES	1,362,959
EXCESS OF REVENUES OVER EXPENDITURES	19,671
FUND BALANCE - July 1, 2007	<u>966,126</u>
FUND BALANCE - June 30, 2008	<u><u>985,797</u></u>